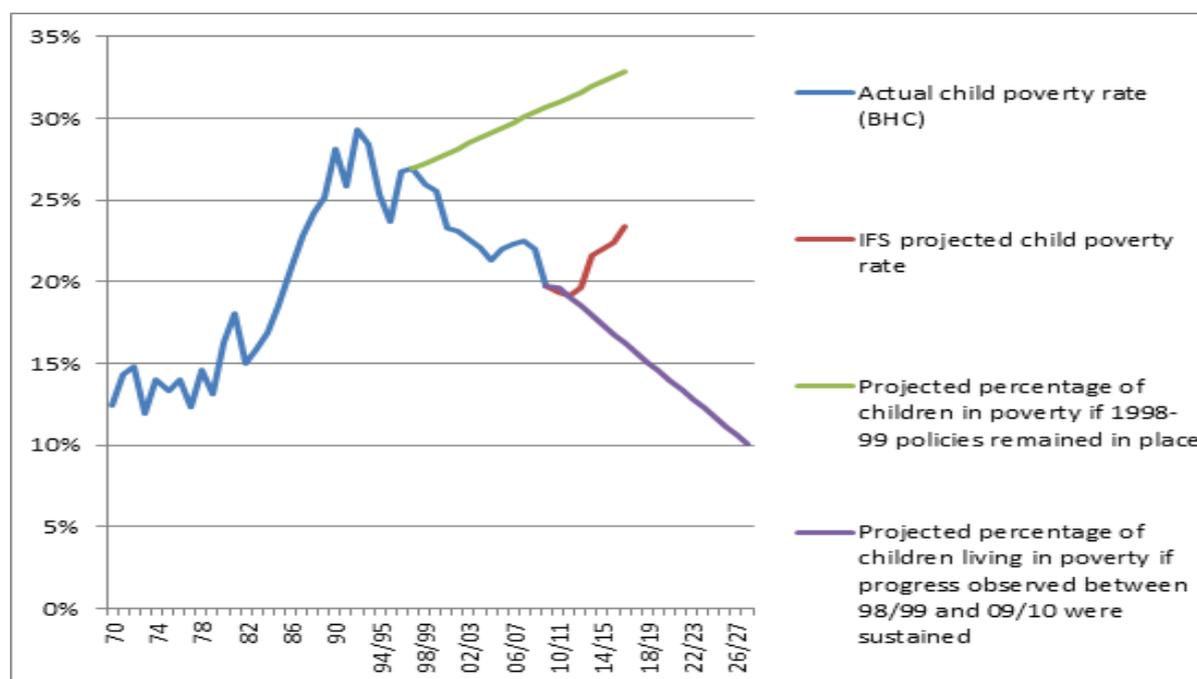


Background media briefing for 2010/11 official poverty figures



What happened to UK child poverty?



Actual child poverty rate:

This line shows the official child poverty rate (using the 'headline' relative low income measure) as measured on an annual basis by the Office for National Statistics. It shows a very steep rise in the child poverty rate throughout the 1980s. However, from the mid-1990s there is a clear downward trend. This confirms that significant progress has been achieved as a consequence of child poverty strategy since the former Prime Minister, Tony Blair, announced in 1999 the mission to end child poverty within a generation.

Projected child poverty rate under pre-1998/99 policies:

This line represents analysis by government showing where the child poverty rate likely to have been reached if the tax and benefit policies of the previous administration before 1997 had continued unchanged. It is therefore important to recognise that child poverty was not only reduced, but that the UK government's focus on child poverty from 1999 to 2010 also prevented around 900,000 further children falling below the poverty line. The record for prevention must be recognised just as much as for reduction. It means there are 1.8 million fewer children in poverty today than there would have been otherwise.

Projected child poverty rate under the Coalition Government's policies:

The Institute for Fiscal Studies has produced analysis to predict what will happen under the current government's policies. Its alarming conclusion is that child poverty is set to surge upwards by an average of 100,000 children a year. This is largely as a consequence of the Coalition's plans to cut £20 billion off the welfare budget by 2014. It is also as a consequence of predictions that little progress will be made on parental employment by the Coalition's policies – a concern that is surely growing now the UK is back in recession.

Projected rate of child poverty if previous progress was continued:

If the Coalition government was to at least match the rate of progress made by the last government, then while they would not meet the headline child poverty target in 2020, they would at least be on track to meet it by 2027. CPAG believes it is far too early to think about moving the target year and that 2020 should remain the focus; however, this does refute the arguments of those who dismiss the rate of progress under the last government as worthless. It may not have been as fast as hoped, but the trajectory of progress could still be considered commensurate with the commitment made in 1999 to end child poverty 'within a generation'.

Measuring child poverty

There is occasionally some debate about how child poverty is measured – and how it should be measured. It is sometimes claimed that we have the wrong measure and that the target is impossible to meet. This is wrong. In fact there are four ways the government is required to measure child poverty under the Child Poverty Act, each with a target for 2020. This helps ensure that the child poverty strategy addresses different dimensions of poverty.

- The four dimensions of child poverty, which are measured for the Child Poverty Act and its targets, are:
 - relative low income (the headline measure)
 - absolute low income
 - persistent poverty
 - material deprivation (with relative low income)
- Figures for these measures of child poverty are published annually in a report called *Households Below Average Incomes (HBAI)*. The data in the report is compiled from a large survey of around 25,000 households called the 'Family Resources Survey'.

- The relative low income measure – the most quoted measure often referred to as the ‘headline’ measure – uses a poverty line of 60% of median household income (equivalised for household size – i.e. the number of children and adults in the family). This is a standard level at which the poverty line is set for almost all industrialised nations. It is not at all ‘arbitrary’ as some have suggested, but is in fact lower than the level the public think is needed to have an adequate income as part of a Minimum Income Standard. This level is nearer to 75% median income. So deprivation is clearly associated with income at this lower level. It is also set below the level at which sociological studies start to find a correlation between relative low income and material deprivation.

Before Housing Costs, or After Housing Costs – which figure to use?

- The HBAI reports on relative low income measures both before housing costs (BHC) and after housing costs (AHC). The AHC figure tends to be substantially higher as a consequence of the high cost of housing in the UK and the impact this has on remaining disposable income.
- The relevant figures to use for the **number of children living in poverty** are always those measured after housing costs (AHC), because everyone’s lives are lived out after housing costs. E.g.

“There are 3.5 million children living below the poverty line according to the most recent official figures.”

The relevant figures to use for **progress on government targets** are those before housing costs (BHC). The Government uses before housing cost figures for the targets for statistical reasons to do with international comparisons. E.g.

“There are 2.6 million children on the government measure of child poverty for its headline target.”

- CPAG and our partners in the End Child Poverty campaign prefer to quote the higher AHC figure whenever possible as it is more representative of the lives of UK children; but it is important to use the lower BHC figures when commenting directly on the Government’s targets and the progress towards them.
- The specific numbers used here are from HBAI 2009/10. On 14th June 2012 new figures will be published in HBAI 2010/11. We are always running at least a year behind on the available official figures because it is such a large job for ONS to process all the data gathered in the Family Resources Survey and it takes at least a year.

Progress on the headline measure

As the blue line on the chart above shows, significant progress has been made in the last 15 years. Since the baseline year for the Government's target, child poverty has fallen by at least 900,000. The table below shows child poverty actual figures and projections for key years.

		Before housing costs	After housing costs
Baseline year	98/99:	3.4 million	4.4 million
Latest official figures	09/10:	2.6 million	3.8 million
<i>IFS estimate for</i>	<i>10/11:</i>	2.5 million	3.5 million
<i>IFS estimate for</i>	<i>20/21:</i>	3.3 million	4.3 million
Govt target for	20/21:	1.3 million*	N/A

* 10% of children based on 2010/11 population count

Sources: HBAI 1998/99-2009/10 (rounded figures before housing costs); Children and Working-Age poverty from 2010 to 2020, IFS 2010.

Child Poverty Act

The child poverty targets existed before the Child Poverty Act, but they only became statutory targets once the Act was in place. As well as the targets, the Act places duties on all levels of government to produce child poverty strategies.

The targets

The 4 ways of measuring child poverty are already described above. The targets for these measures are:

- To reduce **relative low income** child poverty to less than 10% by 2020/21
- To reduce **absolute low income** child poverty to less than 5% by 2020/21
- To reduce **persistent** child poverty to below a target level (to be set in 2015) by 2020/21.
- To **reduce combined low income and material deprivation** child poverty to less than 5% by 2020/21

UK child poverty strategies – the statutory drivers

The UK government in Westminster must publish every three years a child poverty strategy focussed on meeting the four child poverty targets and on preventing children experiencing socio-economic disadvantage.

The strategy must be broad based, and there are statutory drivers to ensure this. While the targets can be thought of as the finishing line, these statutory drivers are

the engine that should power us towards the finishing line. This point is often overlooked by critics of the targets who tend to seem unaware that the Act includes statutory drivers towards the targets. These requisite statutory drivers, often referred to as the *'building blocks'* are for the following areas:

- Employment and skills of parents
- Financial support for children and parents
- Information, advice and assistance on parenting skills
- Physical and mental health
- Education
- Childcare
- Social services
- Housing, the built environment and the natural environment
- Social inclusion

The Coalition amended the Act to weaken the accountability requirements – a move which was opposed by CPAG and our partners in the End Child Poverty campaign. Instead of stating that the government's child poverty strategy must report on *'progress that needs to be made'*, a weaker requirement was substituted requiring instead that the government's strategy simply reports on *'measures proposed to be taken'*.

Scottish, Northern Ireland and Welsh Strategies

All three devolved administrations have a similar duty to produce a child poverty strategy. This duty is contained in the Child Poverty Act for Scotland and Northern Ireland; and it is contained in The Children and Families (Wales) Measure 2010 for Wales.

Local child poverty strategies

Every local authority in England – county, district, borough or unitary authority – must produce a local child poverty needs assessment, and a local child poverty strategy (the requirement does not apply to the other UK nations). In developing their local strategy, they must identify partner authorities, bodies and individuals in their area to participate in the development and delivery of the strategy. Partner authorities specifically named in the Act include the police, transport authorities, and health authorities.

The Coalition government chose not to exercise its power to provide guidance to local authorities on meeting their duties under the Act. As a consequence there is a hotchpotch of activity going on at local authority level – some local authorities have already produced strong needs assessments and strategies that are being put into practice, whilst others do not appear to have even made a start.

The Social Mobility and Child Poverty Commission

The Act required the establishment of a Child Poverty Commission. The Coalition has amended this to a Social Mobility and Child Poverty Commission, resulting in significant delays to the establishment of a Commission.

The government has also amended the role of the Commission so that it must no longer be consulted when the government is preparing its strategy, but will report annually its view on the government's progress.

The Commission is required to appoint members with relevant experience on social mobility, child poverty and working with families and children. The appointments process requires that each of the devolved administrations in Scotland, Wales and Northern Ireland shall each be able to directly appoint a commissioner. The Commission is expected to finally be established in the summer or autumn of 2012.

Political context

Coalition government

The Conservatives and Liberal Democrats included the commitment to end child poverty as one of its explicit objectives in the coalition agreement.

- *"We will maintain the goal of ending child poverty in the UK by 2020."*

The Coalition: our programme for Government (page 19).

Conservatives

David Cameron's initial commitment to the 'aspiration' of ending child poverty by 2020 was confirmed by the party's support of the Child Poverty Act which sets firm targets for government and the coalition agreement.

- *"We need to think of poverty in relative terms – the fact that some people lack those things which others in society take for granted... The Conservative Party recognises, will measure and will act on relative poverty... Poverty is relative – and those who pretend otherwise are wrong."*

David Cameron, 24 November 2006

- *"We can make British poverty history and we will make British poverty history."*

David Cameron, 16 October, 2007

- *"It falls to us, the modern Conservative Party to fight for the poorest."*

David Cameron, 8 October, 2009

Liberal Democrats

The Liberal Democrats adopted the 2020 target at their 2007 conference and have supported the Child Poverty Act and its formal targets for government.

- *“Children should be free to realise their aspirations and not be held back by the circumstances of their birth.”*

Nick Clegg, 2 January 2008

- *“There is profound inequality everywhere you look: how much people earn, the homes they live in, the schools they send their children to.”*

Nick Clegg, 1 March 2010

Labour

Labour in opposition has retained its commitment to ending child poverty by 2020, which it took the political lead on whilst in government (although they have warned that if the current government fails to keep its own commitments on child poverty then it would derail the timetable they could achieve on returning to government). During the passage of the Welfare Reform Act earlier this year, the Labour front bench opposed government amendments that weakened the accountability requirements for the government’s child poverty strategy.

- *“We have said before that poverty is a blight. Labour said let’s abolish child poverty. The gap between rich and poor matters. It matters because if you believe in equal opportunity, you can’t achieve it in a vastly unequal society. It matters because we all are worse off from inequality: in health, well-being and community.”*

Ed Miliband, 10 June, 2010

We can’t afford to ignore it

Some critics of the child poverty targets say we simply cannot afford to make progress in the current economic circumstances. CPAG believes we cannot afford not to.

The Joseph Rowntree Foundation commissioned research that found that the annual cost to UK GDP of our high levels of child poverty is around £25 billion pounds. For long term economic security, it is clearly a costly problem that needs to be tackled, or else these costs will spiral upwards.

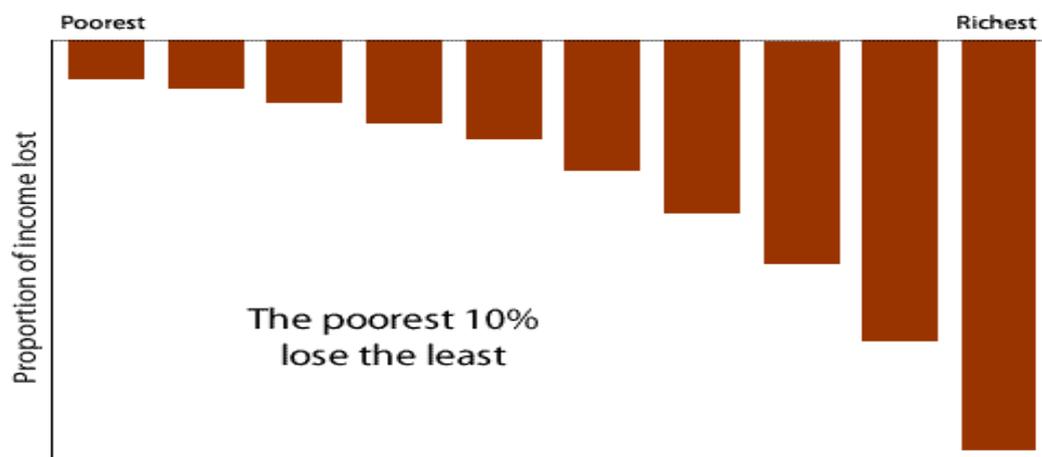
The headline measure is of relative poverty, so if everyone was shouldering a proportionately equal burden to address the current economic problems, then there would be no increase to child poverty. And if the broadest shoulders to the largest proportionate burden, there would be a reduction in child poverty.

It is therefore inaccurate for the Coalition to claim that they have no choice but to make the welfare and service cuts that the Institute for Fiscal Studies has warned will cause child poverty to surge upwards by around 100,000 children a year. The Treasury has published its own analysis that demonstrates that making low income families the main target of the austerity agenda is volitional, and there are other options.

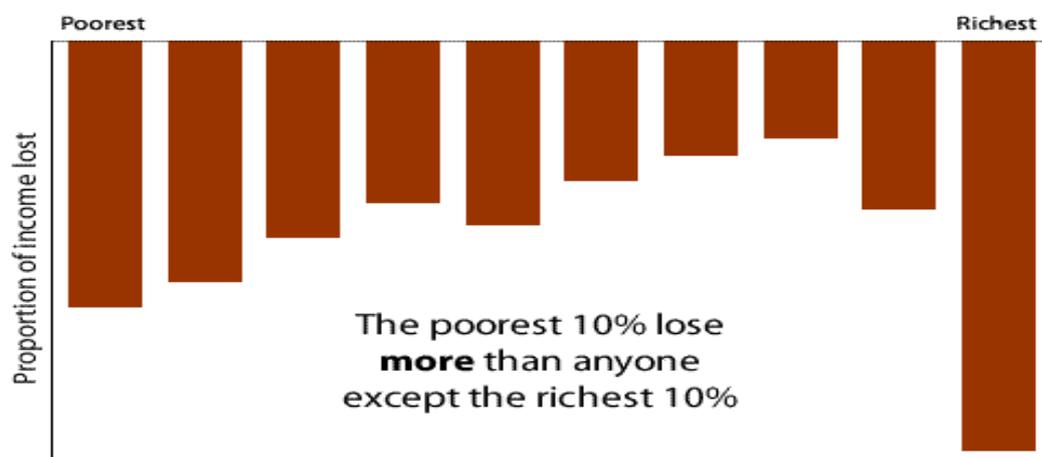
The charts below show two different ways of approaching deficit reduction through the government's decisions on tax and benefits. The top chart shows what the distribution of cuts and their impact might look like if it is progressive right across the income distribution – a common sense view of what 'fairness' means.

The lower chart presents what the government is actually doing. It is for the year 2012/13 and it is reproduced from the Treasury's own distributional impact analysis, which can be found in the Treasury's own *Impact on Households* document that they published in November 2011 (http://cdn.hm-treasury.gov.uk/as2011_distributional_analysis.pdf).

The fair deficit reduction we were promised



What we got



Source: HM Treasury

The government's analysis demonstrates two important points:

1. The current deficit reduction approach does not meet the Fairness Test
2. There are other choices about how to deal with the deficit, so the cuts to welfare benefits and tax credits are not 'necessary' but a political choice.

For the first point, it is certainly true that the richest 10% of the population are shouldering the greatest burden as a proportion of income. But after that the reality is very different. The rest of the chart, from deciles 1 to 9, is almost completely regressive. People from the poorest third of the population are being made to shoulder a greater burden than 4 out of every 5 people in the richest half of the population. This is not the common understanding of fairness.

For the second point, the government's own analysis proves that there is tremendous room for manoeuvre by increasing the proportion of income contributed by deciles 6, 7, 8 and 9. Given that their incomes are much larger than the lower deciles, a relatively small rise in their contribution could allow for a large fall in the contribution from the lower deciles (as a proportion of their income).

This would require a rebalancing of the spending cuts to tax rises ratio for the government's deficit reduction strategy, which currently stand at approximately 80% cuts compared to 20% tax rises. There is precedent: in the fiscal contraction pursued by Jon Major's government in the 1990s, the ratio was approximately 50% spending cuts and 50% tax rises.

There is a wide range of views on whether the government is right to have such a quick timetable for deficit reduction. But the crucial point here is that, even under the government's proposed timetable, there are other options that could be pursued that take the unfair and heavy burden off low income families.

ENDS

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